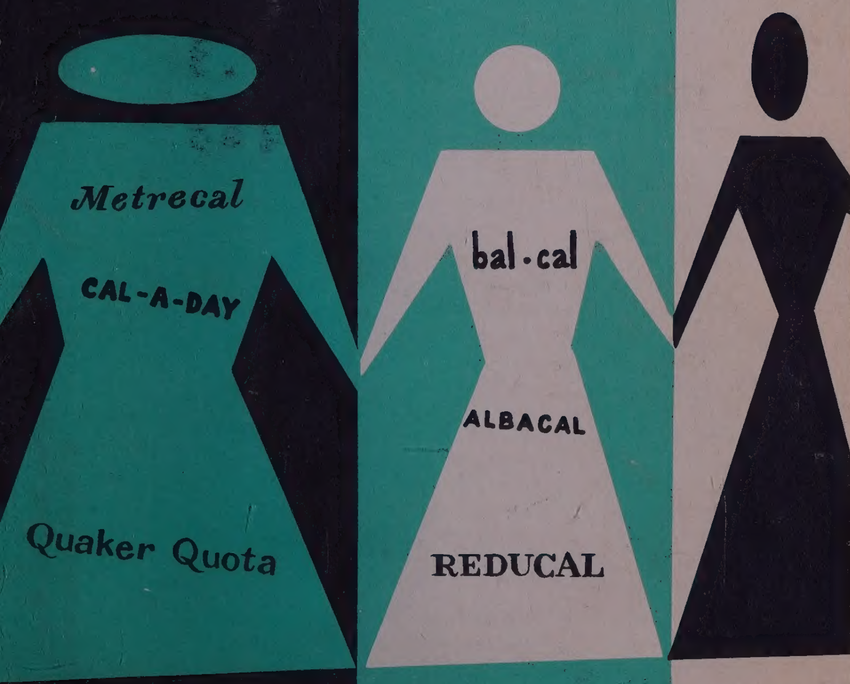
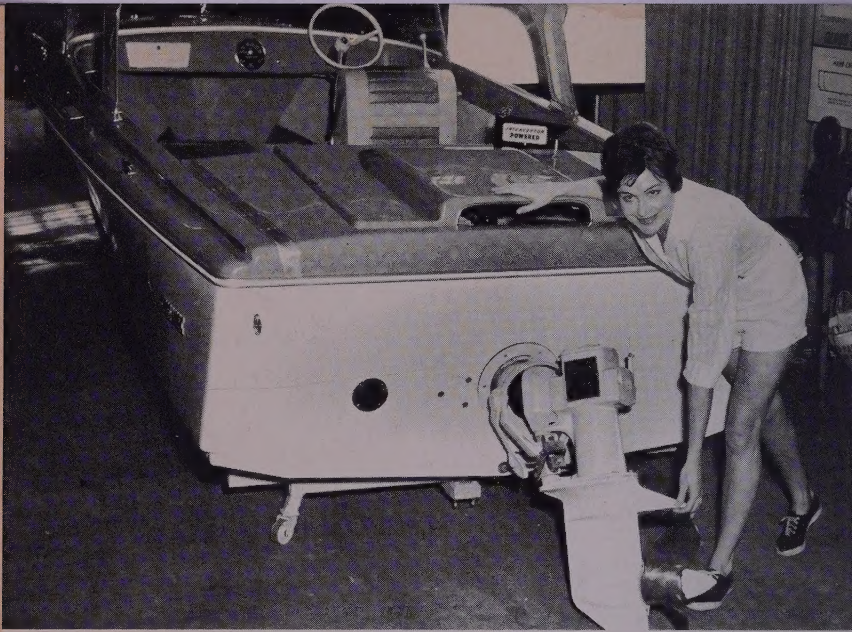
October 12, 1960

Investor's Reader

For a better understanding of business news



TRIM-DOWN CRAZE FATTENS DIET-SELLERS (see page 21)



MARINE LIFE AT EATON

In a generally rather disappointing year during which Eaton Manufacturing Company earnings expectations have been scaled down from an original $4 to little more than $2.25 a share (v last year's banner $3.60), this attractive diversification move into boat propulsion is one of the factors in Eaton's forward-looking cheer. In late September the veteran automotive axle & transmission producer acquired Dearborn Marine Engines, a $4,000,000-a-year Michigan inboard engine supplier. This followed by one month Eaton's introduction of its Powernaut drive (the compact package at the stern of the inboard in the above demonstration at Chicago's National Boating Trade Show) which promises to "combine inboard engine economy and outboard drive portability in the same boat." Among sundry advantages like improved propeller steering and maneuverability, Powernaut does not need a long driveshaft, will permit inboard engines to be placed in the stern and "increase the boat's living area."

While Dearborn Engines and Eaton Powernaut make an effective marketing couple, Eaton president John C Virden emphasizes the new drive will also be sold for other engines. The boating ventures will represent only 2½ % or so of Eaton output but "open the door to additional marine products."

Meantime, Eaton, which has suffered from a sharp reduction in heavy truck and off-the-road equipment, feels "we have passed the low point." John Virden now looks for sales & profits improvement "unless there is further serious deterioration in the country's economy."

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Investor's Reader

No 8, Vol 35 October 12, 1960

Europe's Securities Lure US Investors

Economic Growth, Fuller Disclosure Are Factors; Politics a Major Worry

FOR SOME TIME sophisticated US investors have bought securities of domestic companies which have sizable sales and manufacturing operations in Europe. Now these investors are growing progressively more interested in securities of the major European companies themselves.

The motives are strong. The rate of growth in the European Common Market (IR, Sept 16, 1959) has averaged 5.4% a year since 1951 compared with 2.9% in the US. Some European economists predict the European growth rate will continue to double that of the US over the next decade. Hence investors figure leading European companies should grow faster than their US counterparts.

Boosting the interest in foreign securities is the spreading awareness many of them are easy to buy & sell. They can be traded right in the US with US currency in a form called American Depositary Receipts, better known as ADRs. These are certificates issued in this country equal to a specified amount of the foreign company's shares.

There are still some high hurdles in trading foreign securities. One hurdle is the traditional reluctance of most companies to issue complete financial reports so commonplace in the US. Furthermore foreign companies take their time and even today many large enterprises have yet to issue even meager figures for the year 1959. Another problem is the fact foreign stocks are subject to wider & more sudden price swings than many US stocks because markets tend to be thin.

Even more worrisome is the constant threat of political trouble in Western Europe because of its Iron Curtained eastern border. This is

why deep blue chip issues have severe sinking spells whenever a new crisis occurs.

Recently the UN meeting and new Soviet threats about Berlin walloped German stocks. From January to mid-August German stocks had climbed more than 50% to a peak of around 153 as measured by the Herstatt industrial index; last week they were down to about 145. Dutch stocks showed a 33% rise to mid-August, have since lost 10%.

Not all European stocks have soared this year. British stocks are a shade below their January levels, French stocks only slightly above.

Star Performers. Individual foreign stocks have put on their own shows. On the Big Board Italian, chemical and drug giant Montecatini leaped from 25 a year ago to 57 this year, now trades around 44. Dutch AKU (United Rayon Manufacturing) has led the foreign contingent on the Amex with a rise to 64 from 50 a year earlier. Among over-the-counter stocks the record is more remarkable. Germany's Farbenfabriken Bayer AG last week sold around 96, up from 49 a year earlier but down from the 1960 high of 106½. Holland's famous electronics company Philips' Gloeilampenfabrieken (fondly called "Glowlamp") is at 160, compared with only 83 a year earlier. It has been as high as 181 this year.

Participation in foreign securities has been made easier by American Depositary Recipts. The receipts (see picture) are actually contracts between a US bank and the holder of the receipt promising that the receipt represents a stated number of shares of the foreign company.

The ADR also attests that the underlying shares are on deposit with the bank itself or a correspondent bank. Besides being the "depositary," the US bank acts as transfer agent. In this capacity it cancels old ADRs and issues new ones whenever needed. It also transmits to the US owners all dividends received from the foreign company.

In the case of the certificate illustrated, 100 American shares of Farbenfabriken Bayer have been issued to Merrill Lynch (the "Street name" for the actual owner) by Chemical Bank New York Trust Company, the depositary and transfer agent. Although the ADR is in Street name, Merrill Lynch of course gives the actual owner all dividends as received from the bank.

Major issuer of ADRs is Morgan Guaranty Trust Company. Forerunner Guaranty first put them out in 1927 but they have grown most in the the past few years with the resurgence of the European economy. Today Morgan Guaranty issues ADRs for some 80 foreign companies, South African and Mexican as well as European. Among others active are Chemical Bank and Irving Trust.

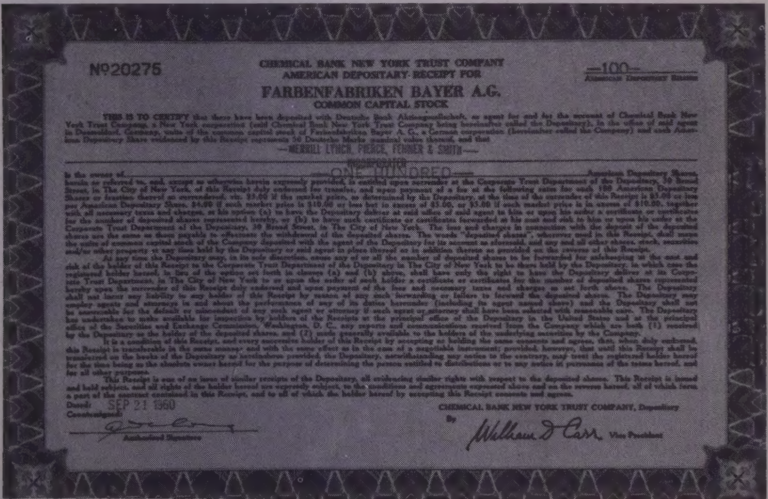
Ease of Trading. Those foreign stocks listed on the Big Board or the Amex are traded like domestic stocks. A customer order is wired to the New York office and executed on the Exchange floor. The investor later receives the ADR or leaves the certificate with his broker for safekeeping. There are over 50 foreign stocks (other than Cana-

dian) listed on the two Manhattan exchanges. Many are tinged with American overtones through US parents or subsidiaries.

If over-the-counter foreign securities are desired, the broker can either seek the shares on the US market from US investors willing to sell their ADRs or he can seek the underlying shares abroad, whichever is less expensive to the customer at the time. By buying in one market and selling in the other, professional dealers can iron out any spreads between US and European markets. This means the two markets are continuously related.

Here is a typical case. An order to buy 100 American shares of Farbenfabriken Bayer comes in from Seattle. In New York a representative of the brokerage firm calls one of a small cluster of firms active in trading foreign stocks. The dealer there finds that European shares of the stock are then selling for less than the US shares. He wires a European bank and buys the shares. The European shares are delivered to the US depositary's European branch or correspondent which relays word to New York to issue ADRs and—presto!, the brokerage customer has his certificate.

The time element is an important factor in foreign stock dealings. First there is the five or six-hour time lag between New York and London or Geneva (nine hours from San Francisco). And second, only the London Exchange has trading hours as long as the Big Board or the Amex. The Paris Bourse, Geneva and Amsterdam exchanges and the seven exchanges in Germany have trading sessions ranging from 1½-to-2 hours. Things are eased because European dealers are willing to deal at unusual hours and have much more leeway in making off-



board transactions in listed stocks than do US brokers.

More Disclosure. While East-West political problems remain, the business of persuading European companies to make fuller disclosure of their operations appears to be heading slowly towards solution. For the most part communication between the companies and their stockholders is rudimentary. Most Continental shares are issued in bearer form—anyone who has the stock in his possession is considered the owner. Like US corporate bonds, dividend coupons are attached and must be delivered to the company for payment. Notices of dividends and annual meetings are given in the financial or general press. Some annual reports are quite voluminous but often sales figures, and in the case of German stocks profit figures, are incomplete. In Germany it is common to declare only enough income (after unspecified reserves) to cover the dividend.

But things are slowly improving

SOME EUROPEAN STOCKS TRADED IN THE US

	Recent Price	Price a Year Ago
NEW YORK STOCK EXCHANGE		
Electric & Musical Ind	7⅝	8⅞
KLM Royal Dutch Airlines	27	32
Montecatini	44	23
Royal Dutch Petroleum	33	42
Shell Transport & Trading	18	21
AMERICAN STOCK EXCHANGE		
A K U (United Rayon Mfg)	66	49
Associated Electrical Ind	6¾	9
British-American Tobacco	6⅜	7⅝
Courtaulds, Ltd	5⅞	6¾
Distillers Co, Ltd	6⅛	4⅜
Dunlop Rubber	3⅞	3⅝
Ford Motor (Eng)	12¾	13¼
General Electric Co, Ltd	5⅝	7
Imperial Chemical Ind	10⅜	7⅜
Rolls-Royce	5¾	4⅜
Simca	6¾	7
Singer Mfg, Ltd	4½	5⅛
Tobacco Securities Trust	6¼	11⅜
United Molasses	5¼	5⅞
Woolworth (F W), Ltd	8¼	8⅛
OVER-THE-COUNTER		
Britain		
Beecham	6⅞	6⅛
Borax Holdings	2⅜	2⅝
Bowater	8¼	8⅞
British Motors	2¼	2¾
Burmah Oil	5⅝	6¾
Dorman Long	6⅛	7⅝
Elliot Automation	4⅜	3⅝
General Tin	5¼	4½
Glaxo Lab	10⅛	7⅝
Great Universal Stores	7⅛	7
Hudson's Bay	23	31
Jaguar	8⅝	11⅛
Lobitos Oilfields	2⅛	2
Standard Triumph	1¼	1⅝
Steel Co of Wales	6¼	6⅛
Stewarts & Lloyds	7¼	7⅜
Trinidad Petroleum	7	8⅝
Ultramar	4⅞	8½
Unilever	22	17
United Steel	12	9
France		
Franco Wyoming Oil	24	30
Des Machines Bull	252	330
Michelin	162	103
Pechiney	71	65
St Gobain	13	10
Germany		
AEG	56	49
Badische Anilin	92	51
Farbenfabriken Bayer	99	54
Farbwerke Hoechst	96	49
Siemens & Halske	81	57
August Thyssen-Huette	43	40
Holland		
Unilever	108	86
Philips Lamp	162	84
Hoogovens	47	35
Italy		
Fiat Motors	5⅜	3⅞
Olivetti pfd	20	12
Pirelli	17	9

—at least from the viewpoint of a US investor. European companies whose securities are listed on the New York Stock Exchange make nearly the same disclosure as US companies. They give sales and earnings figures and consolidated results for themselves and their subsidiaries. There is still an Old World tinge: reports may start off on a semiannual basis though they must later be made quarterly; salaries and stock holdings of officers and directors are not revealed. Also:

- Those companies listed on the Amex tend to tell more than they would if dealt in only in their own country.
- Security analysts from the US make more trips abroad and ask for more information. In turn foreign executives tell more in order to improve the marketability of their shares.
- One European company, Montecatini, is right now tapping the US capital market by offering rights to US holders. In many cases when European companies issue rights, the rights are simply sold abroad by the depositary and the cash receipts paid out to the ADR holders.
- German companies will be required by act of Parliament to reveal their 1960 earnings in approximately the same form as US companies. It is expected many stocks in glamor fields will turn out to be selling at much lower price-earnings ratios than their US counterparts.

As disclosure grows so does the interest in European securities and worldmindedness is expected to spread. Bankers have already toured Japan to interest companies and the Finance Ministry in permitting trading of their shares in ADRs.

One world-concious banker adds: "After that, probably Australia."

Merrill Lynch Expands Abroad

Herewith some excerpts from the September 25 issue of the New York Herald Tribune.

"Before the end of 1960 this country's biggest stock broker* * * will swing open the door discreetly at its first office in London.

"Workers are applying fresh paint to the premises—2,327 square feet—at 110 Fenchurch St, and Merrill Lynch, with Yankee ingenuity, put in a side entrance so it can remain open after the building closes. A broker needs this architectural hedge because of the gap in time zones between London and New York * * *

"Next month it will open an office in Rio de Janeiro, its first in South America * * * Frankfurt is on the list for early 1961 and an office in Madrid, traditional land of the bulls, is in the exploratory stage. Even a Tokyo location is an ultimate possibility.

"This summer 'We the People' hung up its shingle at Panama City and at Hong Kong, where it buys and sells stocks only 35 miles from the Bamboo Curtain * * *

"The foreign push of 1960-61 promises to be the most furious in 'Herd' history. London will join forces with existing offices in Paris, Rome and Geneva * * * The firm's office in Havana is still open for business."

REAL ESTATE
Peaceful Coexistence

IT WAS not so surprising that Pan American World Airways should sign a contract for some 15 floors of office in the new skyscraper rising above Grand Central Station, one of the spiritual centers of the railroad world. What was surprising is the building will not be known as Grand Central City after all; it will be the Pan Am Building.

SHIPBUILDING
More Enterprise at Newport

NORMALLY the christening of the 85,000-ton *Enterprise*, the first nuclear-powered aircraft carrier, at the Newport News Shipbuilding & Drydock Company yards in Virginia two weeks ago would mean the next carrier is to be built at a Naval shipyard. But the law's one-for-one requirement between investor-owned and Navy yards may be waived if substantial economies can be realized.

Thus around mid-December Newport News Shipbuilding, the shipbuilding division of Bethlehem Steel at Quincy, Mass and Merritt-Chapman & Scott subsidiary New York Shipbuilding at Camden, NJ expect to submit competitive bids for a conventional-powered aircraft carrier. New York politicians of both parties plan to renew bitter protests to the President since the ship was originally scheduled to be built at the Brooklyn Navy Yard. But the Defense Department (enthusiastically backed by Virginia officials) argued private construction would cost \$30,000,000 less than the estimated \$300,000,000 cost at the Government yard.

Newport has high hopes of landing the new contract. Meantime the mighty *Enterprise*, though formally floated (as opposed to launched) from its submerged ways, still provides its builder with a year's busy work at a fitting out dock. *Enterprise*, named after the heroic War II veteran scrapped last Summer, is not only the sole US nuclear carrier authorized to date but also the largest and costliest (about \$375,000,000) carrier.

A slew of other contracts both Government and private alongside the carrier jobs are expected to keep Newport News yards at peak capacity and the company on the crest of the domestic shipbuilding industry over the next few years. At last muster the company's backlog stood at a seaworthy \$318,000,000 and even apart from the potential *Forrestal*-class carrier there is almost certain promise of more work soon to come.

One of the big reasons Newport News has so much business is its large, well-integrated and well-equipped facilities which enable it often to underbid competitors and also to bid for a great variety of contracts. In addition to seven shipways and three graving docks (used for repair work) Newport News maintains its own brass, iron and steel foundries, a forging plant and several well equipped machine shops.

Among the major programs to utilize these facilities are submarines. Newport News abandoned sub-building back in 1912 but re-entered it two years ago. While the Electric Boat division of General Dynamics is still the unchallenged nuclear sub leader, Newport News has become the second private yard selected by the Navy to build Polaris-carrying vessels. It launched the *Robert E Lee* late last year. The *Sam Houston* and *John Marshall* are scheduled to slide down the ways in 1961 and 1962 respectively. This Summer it signed a $32,400,000 contract for its fourth Polaris sub. The company is also building the *Shark*, a nuclear attack sub.

Newport News expects: "If the Polaris tests prove satisfactory the Navy will probably request full funding of the seven Polaris subs budgeted by Congress last year." Also likely: funds for additional nuclear attack subs. Newport News Shipbuilding counts optimistically on getting its share of both assignments.

Merchantmen. Newport News does not lack for other contracts. In addition to the subs its docks are currently filled with a submarine tender, three tankers and a slew of cargo vessels. Backbone of the commercial program will be the replacement program of the 15 subsidized ship lines under the Merchant Marine Act of 1936 which calls for replacement of ships every 20-to-25 years. With War II and early postwar vessels now coming of age, the entire scheduled-service US Merchant Marine fleet of approximately

Dockside view of the Enterprise

300 is scheduled to be renewed in orderly procession over the next 15 years or so at a total contract cost of around $4.5 billion.

Replacement contracts for 23 new ships have been let this year, nine of them with Newport News. It will build four cargo ships for States Steamship for a total of $45,000,000. Early last month it signed a $53,000,000 contract with US Lines for five cargo vessels. A company spokesman reports "we are now bidding on 14 more ships and it is rumored yet another two will come up this year."

Newport News also does a thriving ship conversion and repair business which covers everything from jumbo-izing to remodeling collision damaged bows in record time. It took the company just 19 days to put a new nose on Grace Line's luxurious *Santa Rosa* after she smacked into a tanker off the Jersey

coast in March 1959. (Newport News had built both the *Rosa* and sister ship *Santa Paula.*)

On land the company has contracts for 18 hydraulic turbines to be completed through 1963. It recently added two more with a $1,125,000 order from the Interior Department for the Government's power plant in Shasta County, Cal.

However shipbuilding still remains the bulk of Newport News business. The company reports "repair work, turbines and our other business rarely aggregates more than one-quarter of our total gross."

It all added up to a record $191,000,000 in 1959 which marked an 11% gain over 1958 and even topped war year 1942 when gross revenues totaled $181,000,000. Net operating income was also a record at $7,770,000 or $4.81 a share as against $6,740,000 ($4.19) in 1958.

With a slower delivery rate in the first six months of this year, revenues were off 8% while earnings eased to $2.79 a share from $2.93. However as more contracts are fulfilled in the latter part of the year the company expects to make up the decline. An officer reports: "I don't see any drastic changes either up or down from the 1959 results. But certainly no one should be disappointed and I would say the probabilities are for us to end up on the upside."

Investors have shared some of this enthusiasm. The 1,600,000 common shares climbed from a low of 33 earlier this year to a high of 47. But in the recent market doldrums they have slipped to around 41.

Despite its current good fortune, Newport News like other shipbuilders is subject to both economic and political factors which can and have made for wide fluctuations in company fortunes. For this reason it is actively looking for ways to diversify. Reports one spokesman: "We've got nothing specific now but when we do, it will be in something related. Certainly we won't get into cosmetics, whisky, or cigarets."

CHEMICALS
Diamond Alkali Diversifies

IN A YEAR when many chemical makers have reported compounds of rising volume and diluted earnings Cleveland-based Diamond Alkali Company is bubbling toward a banner tally on both scores. The company predicts sales "up moderately" from 1959's record $137,900,000 while earnings are figured at $4.30-to-4.45 a share compared with last year's record $3.90. These gains reflect the latest results of a diversification program which dates back to 1946 and has led the $134,000,000-assets company from its basic alkali lines into its present roster which includes plastic, other organic and chromium chemicals.

Diamond Alkali has spent over $160,000,000 on its expansion program over the past 16 years with $30-to-35,000,000 budgeted for this year and next alone. Treasurer William A Crichley expects the rate to rise: "We see around $80,000,000 for the next five years."

While these expenditures will add to Diamond's production muscles, total industry capacity is also rising.

DIA's principal manufacturing facilities at Painesville, Ohio

Hence Bill Crichley figures "we should stay just about where we are in relation to everyone else."

Currently Diamond Alkali supplies approximately 10% of US chlorine needs, some 15% of alkali requirements and 20% of silicate of soda demands. And as a leading producer of chromium chemicals it turns out 35% of the national requirements for sodium bichromate and chromic acid.

Diamond Alkali has also expanded its research and development program. This year's $4,500,000 budget is $700,000 larger than 1959. Much of the effort has gone into upgraded products such as the "off gases" of acetylene and the chlorinated xylene family. This "very promising" group gained the spotlight after the successful 1959 debut of herbicide "Rid," has also found use in a multitude of other products like plastic surface coatings.

On the Big Board the 3,000,000 shares of DIA trade around 55 or a modest (for a chemical company) 14 times earnings. The company has an unbroken record of 28 consecutive years of cash dividends. The current quarterly rate of 45¢ dates back to 1957. Comments Bill Crichley: "A continuance of this rate is expected this year. We normally pay out 45-to-50% of earnings so an increase is possible but there is virtually no way to approach this question until the November directors meeting." However the company also paid 3% in stock at the end of last year and Bill Crichley notes a similar stock dividend is "probable."

MANUFACTURING
Pfaudler Permutit Processes

RESEARCH-BENT Pfaudler Permutit Inc of Rochester, NY temporarily moved out of the lab and into a Manhattan hotel last week to announce a new, extra-tough material called "Nucerite." Bred for demands of the nuclear age, Nucerite has unusual resistance to impact, high temperature corro-

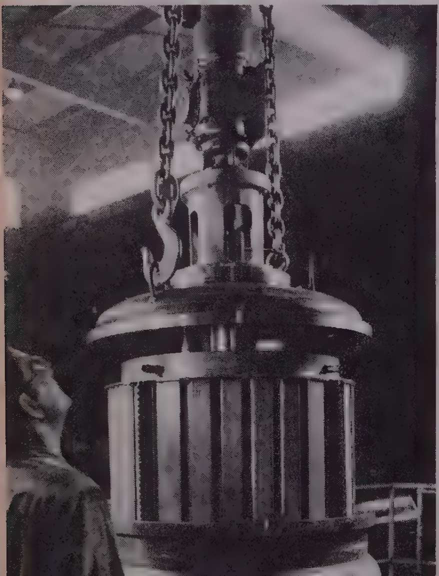
sion, thermal shock and abrasion. Says vice president and research director Elbert A Sanford: "Its development marks the fulfillment of a long-term research objective of singular importance to the process industries."

Nucerite is a ceramic metal composite. It consists of structural metal plates coated with layers of a special crystallized glass mixture, hence combines the strength of metal with the resistance properties of ceramics. For instance it withstands high-temperature corrosive vapors (up to 1,400°F) which would quickly destroy most metals.

The new material has not yet been offered commercially but is in the "market evaluation" stage. A company spokesman adds: "This means research costs, not profits."

Some possible applications: seals and bearings for the chemical processing industry.

Nucerite under rigid impact test



The Pfaudler division of the $26,000,000-assets enterprise is the leading maker of glass-lined steel process equipment for the chemical, dairy, food and beverage industries. One special market: breweries. The smaller Permutit division is a leader in the manufacture of water conditioning and ion exchange equipment. Since Pfaudler and Permutit married in 1957 someone last year coined the word "Fluidics" for "the science of fluid processes" to describe the services of both divisions.

Until this year, merger-year 1957 was Pfaudler Permutit's peak. The two partners experienced a recession in 1958 when sales dipped 3% to $38,000,000 while earnings fell from $3.28 to $2.72 a share. Last year was more encouraging. Orders reached an all-time high of $45,000,000 and although the steel strike held sales to $36,600,000, earnings rose to $3.04. Chairman Mercer Brugler attributes the profits gain on smaller sales to "an improvement in foreign earnings plus the elimination of prior years' operating and tax reserves."

This year is expected to show further evidence of compatibility with both sales and earnings estimated to reach new records. Shipments are reported "substantially ahead" of last year. In the first half the company netted $1.70 *v* $1.57 and the current manufacturing backlog is near the June high of $21,000,000. The company's stock is also near its high with the 545,000 shares traded around 48 over-the-counter.

Of increasing importance in the

Pfaudler picture is the International division born last year. The 1959 foreign sales of $13,800,000 were 26% above 1958, contributed over one-third of earnings.

Added to the international unit's family last year were Ideal Welding Ltd of Canada plus all outstanding stock of two Mexican companies which make steel fabricated products (one was previously 85% owned). The only acquisition this year has taken place nearer home. Just last week Pfaudler announced the purchase of AeroChem Research Labs of Princeton, a little outfit engaged in $400,000 of basic research for the Government. Says Pfaudler: "This move will fill a wide void in our research program."

MACHINERY

Leesona Launch

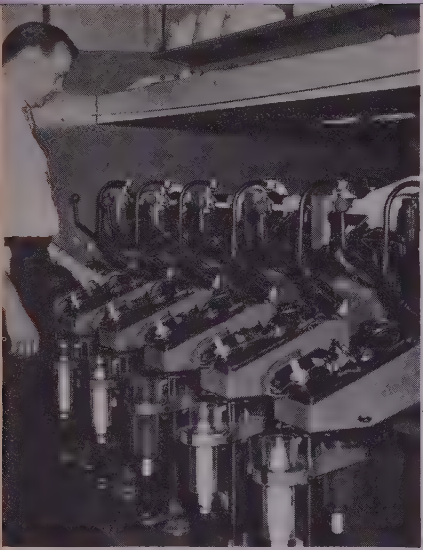
WHEN ASKED to cite a company motto at a Security Analysts get-together two weeks ago, president Robert Leeson of Leesona Corp came up with "research is a long job." As a veteran manufacturer of textile machinery, he explained: "Of course it is important to develop something new but far more important to develop something revolutionary."

This is exactly what Bob's grandfather Joe Leeson did in 1893 when he commissioned a young inventor to improve thread winding procedures. Joe Leeson took the better winding machine which resulted and set up the Universal Winding Company in Providence. A few years later the company moved to nearby Cranston where it is now located. A year ago Universal Winding was restyled Leesona Corp. Explains Bob Leeson: "Our original name reflected only one segment of our business and since our products had long been known under the Leesona tradename this was a logical choice for a new name."

Despite the un-wound name the 67-year-old company still gleans a large portion of its sales from its original winding equipment. Over the years it expanded its specialized textile winding machinery to include twisting and stretch yarn machines. In all, the textile field still accounts for 85% of company sales. The remaining sales come from coil winding equipment for the electric and electronic industries and the company's special research division, Patterson Moos.

While Leesona has been interested in research since its founding, the company first moved from engineering and product development into the more sophisticated realm of basic research when it acquired Patterson, Moos Company of Long Island in 1953. Today Patterson Moos work ranges from direct conversion of nuclear energy to fuel cells (direct conversion of chemical energy into electricity—IR, April 13) and the development of thermoelectric materials. The division carries on contract work for Government agencies, GE, Union Carbide, IT&T, RCA, Bell & Howell and others.

Cyclical Bread. While the "long job" of research is mostly for potential future profits, Bob Leeson readily recognizes the "bread &



Leesona's automatic Uniconer

butter" textile machinery business is proverbially cyclical. He cautions: "In our business we feel it's safe to always run scared."

Even this year with a stout $1,360,000 or $1.66 already earned in the first half on sales of $15,900,000 (up from $1.18 a share on $11,200,000 sales), president Leeson hesitates "to go out on a limb and make a prediction for the full year." He finds it too early to tell whether the current decline in textile machinery orders is just a continuation of the summer slow period or represents a real fall-off in business. However, "right now the order backlog for all our products is substantial."

While second half earnings will probably fail to match the 1959 period, president Leeson does expect Leesona to top the $24,900,000 volume and $2.95 a share profits recorded last year. Some Wall Streeters are more outspoken and feel sales may reach $30,000,000 and earnings go over the $3 mark. In any case, the result will be a ten-year high.

Prior to the Leesona name switch, Universal Winding operated on a June fiscal year and an earnings roller coaster. There were deficits in 1953 and 1955. Subsequently profits bounced from $1.01 a share in 1956 to 6¢ in 1958 and $1.56 in the June 1959 year. Sales also fluctuated between $15,200,000 in fiscal 1952 and $10,900,000 the next year, gradually pushed back to $16,600,000 in 1956 but relapsed again during the next two years before winding up the Universal Winding record with $18,100,000 in the June 1959 year.

Stock Spirals. More recently, the roller coaster effect has been particularly pronounced in the company's stock. The 817,000 common shares had moved from 1953's 2⅛ (adjusted for a 2-for-1 split in June 1959) to 26⅝ a year ago August, then zoomed to a fuel cell fired high of 64⅝ toward the end of 1959. By now the stock trades on the Amex at 35, down from 51 just three months back.

One reason for the sharp movements is limited supply since the Leeson family and management own some 25-to-30% of the common now outstanding (in 1955 they owned 40-to-45%). Big owner Leeson bluntly disavows any desire for stratospheric prices, expresses hope the stock will continue to sell at a more reasonable price-earnings ratio. The company also hopes to level out its traditionally uneven earnings track.

One company spokesman states: "We've got two products right now which will take some of the humps out of the earnings picture."

One is the Unifil Loom Winder. The prototype came out in 1950 but an additional seven years of development were necessary before the machine started to come off the production line. Production for the "well received" machine picked up speed last year. Says Bob Leeson: "Since August 1959 we've been producing and shipping Unifil Loom Winders at the rate of 2,000 a month." At a delivery price of $700 this represents substantial volume for the textile equipment specialist.

Headman Leeson further declares: "Despite our high rate of production the potential market for the Unifil is substantial both in the US and abroad." The Unifil was only offered to the European market in September 1959 and delivery did not get underway until early this year. However overseas sales last year totaled some 30% of volume.

Leesona hopes its foreign sales will increase further with the Uniconer, an automatic cone winder due on the market in late 1961. The machine was unveiled in May and the company reports "marked interest" even though orders will not be taken till the textile show in Greenville, SC this month. Leesona estimates the Uniconer has a market potential of over $100,000,000, half of which will be overseas.

Speculates a Leesona man: "If the Unifil and then the Uniconer keep sales in the $25-to-$30,000,000 area for the next three-to-four years, maybe by that time fuel cells will start coming on stream." Dr Anthony Moos who heads the Patterson Moos division insists: "Fuel cells are already practical but the industry will not start their manufacture on an appreciable scale until 1965."

FOOD

Heinz Cooks for the World

SLOW TO ADAPT to distribution methods suited to mass supermarket buying, the H J Heinz Company of Pittsburgh has finally made the change-over. Reports president Frank Armour Jr, a 33-year company veteran ("my friends say I have Heinz Ketchup in my veins"): "Last year after several years of agonizing re-appraisal we completed the transfer of our operations to the system that is best known today."

He explains: "Eleven years ago we sold direct to retailers, restaurants, hotels and the like. We would even process a one-case order. This required calling on 350-to-400,000 potential customers and maintaining 65 or 70 warehouses."

With domestic sales now handled through independent grocers' cooperatives, voluntary chain groups and wholesale distributors, Heinz has cut its customer list to 7,000, warehouses to four. Complete billing mechanization and branch accounting have followed. Effects of the streamlining showed up in the year ended April 1960 when domestic net rose 70% to $4,120,000.

Though Heinz and its "57 va-

rieties" are entrenched in American foodlore, the company's financial menu is largely cooked abroad. Foreign business provides about half the sales and by far the largest part of the profits (nearly three-fourths in many recent years). Last year operations outside the US brought in a net of $8,110,000. The 6% dip below fiscal 1958/9 was due to a British tax rate change. Consolidated on a worldwide basis Heinz earned $12,230,000 or $7.08 a share in fiscal 1959/60 *v* $11,100,000 ($6.41) the year before.

Last year's global sales rose 7% to $340,000,000, rounding out a decade of consecutive gains. President Armour says: "All things being equal I would expect our sales in the current fiscal year to be $370,000,000." If the company maintains its 3.6% profit margins of last year, Heinz might thus earn $7.70 a share in fiscal 1960/61. Looking further ahead Frank Armour "can envision our sales total in 1970 being more than $800,000,000."

In the projected growth foreign operations should continue to serve as the main dish. Just two decades after the Civil War farsighted founder Henry John Heinz built a factory in Britain. In 1909 the company moved into the lush tomato district of Leamington, Ontario from where it still supplies all of Canada. Grandson Henry John ("Jack") Heinz II established an operation in Australia in 1936. Heinz claims to be the No 1 food processor in these three countries.

In addition the famed soup-to-pickle producer two years ago "bought an established Dutch company manufacturing and distributing food products in Holland and Belgium" and thus "got our foot in the door of the European Common Market." By the end of this year a 150,000 square foot plant in the Lake Valencia Valley outside Caracas, Venezuela will go on steam.

Frank Armour believes "there is a good market for the processed food company in the developed foreign countries" but warns of "an increasingly tight profit squeeze." He adds: "But those who have learned to live with it as we in the US food business have will be able to live with it in the European and other markets when they become as competitive as the present American market."

Investors appear to share this faith. The 1,700,000 common shares (40% controlled by Jack Heinz) trade on the Big Board around 102, only seven points below the alltime high posted earlier this year. As for a split, "the board is giving it considerable attention. They are constantly looking at the dividend too, but that is as far as I can go," says prexy Armour. Heinz has unfailingly served dividends for half a century but the rate has been extremely conservative. Since 1957 Heinz has paid $2.20 a year. By contrast Campbell Soup which boosted its payment a nickel to 50¢ last week has come through with four hikes in six years.

Thus while Heinz sells at a quite modest 13 times earnings, the stock yields a meager 2.2%.

McLouth's Mammoth Growth

No 12 Steel Maker
Pours An Impressive
Profit-Product Mix

WHILE steel mills have on the average operated at little better than half capacity since early Summer, the auto-centered steel producers around Detroit have been more fortunate with operating schedules at 65-to-80%. In this relatively happy group are Ford Motor's own steel plants, the Great Lakes division of National Steel and McLouth Steel.

The $200,000,000-assets McLouth Steel Company which operates two blast, four electric and six oxygen process furnaces (all located in Trenton, a few miles from Detroit) warns its above-industry-average showing is still far short of a full production schedule. Nonetheless they look for yet another record-shattering sales and profits year.

For the first half of 1960 McLouth sales of $117,000,000 were down a bit from the record $128,000,000 of the pre-strike first half of 1959. Earnings were $9,675,000 ($2.67 a common share) compared with $10,600,000 or $2.95. But the strike forced a second half deficit last year and full year 1959 results were only $10,000,000 or $2.66 a common share. The per-share figures are a penny below the first half 1960 results because they must be computed after allowing for four quarterly preferred dividend payments; naturally only two such dividends had to be deducted from the half-year profits before figuring out the common stockholder's stake.

Even after the second half setback, the 1959 earnings were McLouth's best up to that time. But even an indifferent performance in the final six months of 1960 should suffice to make this year better yet.

More specifically, McLouth assistant treasurer John Doelle states: "So far this year our low month was July but it was in the black. Things have been improving ever since." He feels: "The third quarter should earn 50-to-75¢ a share" in spite of auto model change-over and slowing down of export trade on the Great Lakes and the Seaway.

For the full year Wall Streeters estimate sales at around $220,000,000 and earnings, depending on auto steel orders for November and December, possibly at $4.50 a share. John Doelle implies these figures

A 90-ton McLouth oxygen converter

are a "reasonable estimate" and if the company realizes them it will have a whopping 69% increase over previous record earnings year 1959.

Plan Ahead. Such an astounding record in a mediocre steel year did not just happen overnight. McLouth has worked and planned for this success for over a decade. In 1948 the company had little more than a steel finishing operation. To protect its supply, it was forced to go into steel production on its own. It farsightedly built two 60-ton electric furnaces often considered more efficient than the conventional open hearth furnace.

Once steel making operations were underway McLouth looked about for a likely customer for its 500,000-plus tons of sheet and strip steel. It sold General Motors on the advantages of additional Detroit-located steel making facilities. GM bought $25,000,000 worth of McLouth's participating preferred which helped finance the $100,000,000 additional expansion plans carried out in 1953-55. As part of the financing arrangement GM agreed to buy at least 5% of its steel needs from McLouth through 1967. As a result GM purchases in the past six years have averaged about 40% of McLouth's dollar sales with an additional 25-to-30% consumed by other auto specialists.

With sound financial backing secured from GM and some other prominent Detroiters, McLouth had Linde-Frankl of Germany (no relation to Union Carbide's Linde Air Products division) build two on-site oxygen plants. They supply three new oxygen converter furnaces, the first built in the US. McLouth also put up its first blast furnace, two additional electric furnaces, soaking pits and a hot and a cold rolling mill. By 1957 the company's ingot capacity was upped to a stout 1,570,000 tons annually.

Further expansion (an additional blast furnace, three more oxygen converter furnaces, one further oxygen making plant and two sintering mills) to the tune of an additional $46,000,000 in the last three years has increased ingot capacity to 2,530,000 tons annually.

Cut Costs. With its ultra-modern steel making equipment, McLouth is in a very advantageous position. John Doelle parries: "We don't know how much we save with our oxygen converters—we just don't know what open hearth production costs." But industry estimates figure the saving to be $2-to-$3 a ton.

Doelle also stresses savings from McLouth's new sintering operation: "Sintering lowers costs by enabling purchase of low grade ores. It also improves blast furnace efficiency." In this operation low grade ore is screened, then the powdered fragmentary elements are recollected and heated to form massive chunks for more effective firing in the blast furnaces. This cost-saving process was first utilized by US Steel.

With all major expansion projects completed capital expenditures for 1960 (including $8,000,000 for the final stages of the second sintering plant) will be about $13,000,000. This includes $5,000,000 which the company spends each year for "rou-

tine housekeeping improvements." Next year John Doelle expects capital expenditures will be just in this "housekeeping realm."

There are no specific plans at present but steelman Doelle notes: "With McLouth's steel-making capacity now outstripping its finishing facilities, any additional expansion will be in finishing capacity." The company may also extend its present product line of hot & cold rolled stainless and carbon sheet and strip. Currently McLouth is able to make all its higher profit stainless in electric furnaces where temperature can be closely controlled. Cash generated from depreciation charges (about $9,000,000 a year) and retained earnings should be adequate to cover such limited programs.

Next June 30 the company will redeem its 307,000 shares $50 par participating preferred and $3,420,000 income notes (convertible into participating preferred). Once that is done, capitalization would consist of $60,000,000 in long-term debt and 3,400,000 shares common which now trade over-the-counter around 34, ten points below this year's record high and triple 1958.

Following this capital realignment, president Merlin Cudlip states, "consideration would be given to payment of a modest cash dividend." McLouth has not paid any cash dividend since 1948 when it launched its expansion program.

Once a dividend policy is reestablished management will consider listing on the NYSE. The company reports it already meets Big Board requirements.

AVIATION

Commercial Plane Builders Swallow Big Losses In New Jet Airliners

THE DIVIDEND CHECKS which many-faceted General Dynamics Corp will mail to its 82,000 stockholders next month will carry an unhappily lighter burden: payments have been slashed to 25¢ a share from the 50¢ which GD has disbursed in every quarter since February 1957.

The reason is one which has equally troubled GD's aerial colleagues—the unexpectedly costly nature of the commercial jet transport program. The industry has not only been plagued by a decided rise in development & production expenses but the strong competition has spread the business so thin that manufacturers have found it difficult to approach a break-even quantity of orders for any one type of plane.

As chairman Frank Pace Jr explained in a three-page letter announcing the dividend cut, General Dynamics decided to lump all its present & prospective commercial jet losses into a huge write-off at the end of last month, leaving the company with a net deficit of $26,000,000 for the first nine months.

GD had previously charged off $60,000,000 (after taxes) in research, development and other costs on its Convair 880 and 600 models. This is a big reason why despite a 16% revenue climb in 1956-59 profits have fallen 35% in the same period. In the first half of this year heavy charge-offs of more than $10,000,000 after taxes caused a 20%

decline in GD profits to $12,000,000 or $1.22 a share, little more than half of what the company would have earned otherwise.

Rather than penalize future earnings in this manner directors last month voted for the staggering lump-sum write-off: an additional $46,300,000 after taxes which should take care of "all anticipated future losses on the program" based on sales of the 94 liners now on order. By doing so however, chairman Pace points out "the fourth quarter will show profits which will materially reduce this loss." Further, "by absorbing anticipated losses at this time future orders * * * will be on a profitable basis."

Lockheed Lead. General Dynamics is the second commercial jet builder to write off its anticipated losses in one big lump. In August Lockheed Aircraft announced a total charge-off of $67,600,000 (again after taxes) which plunged the company $55,400,000 in the red for the half. The write-off included $24,500,000 in production losses and modification costs on the Electra turboprop liners. The rest was write-offs on the JetStar (business plane as well as Air Force utility transport trainer), Super-Hercules military transport, development costs on a supersonic transport, costs on used airplanes taken as trade-ins, cost disallowances, renegotiations on Government contracts, etc. Lockheed had expected to get the Electra program into the black this year but future sales must wait until FAA-required modifications on all Electras now in service or production are completed.

The two other big commercial jet builders, Boeing and Douglas, have written their transport losses off in stages. With write-offs on its DC-8s running as high as $25,000,-

Convair's 880 line

000 a quarter, Douglas has been in the red ever since the February 1959 quarter, ended the November 1959 year with a $33,800,000 deficit.

However in the current year write-offs were down to $8,400,000 in the May quarter and are figured even lower for the August period; the company hopes to show a small profit for the last half of fiscal 1960 which ends next month.

Boeing too has had heavy charges on its 707s and related transports. And while the company has managed to avoid any red ink on its books, the program has nonetheless been costly. Profits tumbled from their postwar high of $5.49 a share in 1957 to last year's $1.65 a share.

This year's commercial costs have fallen off. In the second quarter Boeing managed a "book" profit (where sales price exceeds inventory cost) on its commercial jets; as a result, total corporate profits for the quarter were triple the previous year's while half-year earnings climbed to $1.29 a share from 47¢. For the full year Boeing profits are figured around $3.

Lump Sum Psychology. In addition to certain tax advantages which may accrue, there is a great psychological advantage to writing off losses in one lump sum. Rather than smearing red ink over a series of reports, it wipes the financial slate clean. If the company is otherwise in the black, it will then show up its basic operations for the moneymakers they are. Also, any new transport business should show up on a profit basis.

Lockheed expects to report a third quarter profit of roughly $5,000,000 or about 68¢ a share as against a $2,840,000 loss in the third quarter of 1959. For the full second half Lockheed expects to net "at least $10,000,000" which would cut the year's loss to around $45,000,000.

Similarly, General Dynamics expects to turn a fourth quarter profit and thus cut its full-year loss well below the nine-month figure.

The commercial jets have plagued their makers for a score of reasons. Mostly the aircraft industry plainly overestimated the market. Some makers have had to cut back on production far earlier than they expected. With DC-8 production down to four or five a month from a peak of nine earlier this year, Douglas was forced to lay off 4,000 workers at its Long Beach, Cal plant this Summer. In September lack of Electra and JetStar orders caused Lockheed to sideline 210 employes at its Marietta, Ga plant which brought the work force there to the lowest level since 1952.

Lockheed's eight-passenger JetStar looked like a sure bet for both a big military and a big private market. Lockheed went ahead with the JetStar when the Air Force hinted at an order for several hundred utility transport trainers for the winner of an "off-the-shelf" (developed at manufacturer's expense & risk) competition in which Lockheed bested McDonnell's 119A. Lockheed also expected to sell "substantial numbers of a corporate executive transport version." Orders to date total only 26, five for the Air Force and 21 for private use. Lock-

heed still hopes to sell an additional 15 planes to Pan American which would lease them to business firms but no order has come through yet.

Cash Problems. Part of the problem has been the financial plight of the airlines themselves who have been hard put for funds to buy the new equipment. Hence the makers have had to repurchase some used aircraft in order to sell their new models. General Dynamics will write off a total of $6,700,000 for used aircraft which will be carried at salvage value in its September statement. Lockheed write-offs for used planes came to more than $3,000,000.

The used plane market has largely evaporated. Worst of all, planes primarily in line for jet replacement are the large DC-7s and Connies whose size and airport requirements make them too unwieldly for corporate or small-line use. Thus the trade-in accepters stand little chance of reselling the old piston models even though most of them are in good shape. An additional thorn for GD's Convair has undoubtedly been the on-again-off-again financing plans of TWA which has yet to accept delivery of any 880 (it has 30 on order).

The plane makers also greatly underestimated their costs. Save for Boeing which could benefit from some of its research and development expenses on the KC-135 tanker (the military counterpart of the 707), every aircraft maker had to go it alone in what one spokesman noted "involved almost a whole new technology." And to land an order they often practically custom-tailored the craft to buyer specifications.

It is no secret United Air Lines dictated much of the design for the DC-8. It subsequently ordered 40. All this added to already steeper-than-anticipated costs. Lockheed sold every one of its 172 Electras below cost, hoping to make it up on future sales. It lost $2,300,000 on the 18 planes delivered in the first quarter of this year.

While price hikes may seem called for, they could discourage further orders. However, Douglas hiked its DC-8 prices 5% in June.

The plight of the plane makers has also put a damper on plans for a smaller-range jet. Douglas has sacked its plans for a DC-9 in favor of teaming with France's Sud Aviation to market the Caravelle in this country. If it gets enough orders (it has 25) it may manufacture here. Boeing continues to develop the short-range 727 but to date it has announced no production. It may go ahead if "considerable interest" expressions from Eastern and United should firm into orders.

Whether the commercial jet program will ever make money is still moot. Boeing, with a total of 234 orders for its 707s and 720s, stands in best shape and the Seattle company expects to turn the corner late this year or early next.

One factor however is favorable. A supersonic transport is not expected to pick up speed until the mid or late Sixties which would give commercial jet makers the better part of a decade to make good with the present generation of planes.

Diet Foods Fatten Manufacturers

Mead Johnson Gets
Early Lead But
Competition Mushrooms

TEMPTED BY ads proclaiming "dramatic weight loss" or "fun time fashions—always a wee bit snugger than they were last year," hundred thousands of just-not-wee-enough folks are flocking to their drug, grocery or department stores to buy the new meal-in-itself diet foods. The finicky dieter can now have such fanciful flavors as banana and mocha as well as butterscotch, chocolate and vanilla (plain). And for a little more money the outgoing reducer can be served his favorite potion in many soda fountains and eateries around the country.

The craze began a year ago when nutritional & pharmaceutical specialist Mead Johnson & Company of Evansville, Ind brought out a food supplement called Metrecal. Touted as "measured calories for effective weight control" each eight-ounce tin of Metrecal (originally marketed at $1.59 a can) contains 900 calories and a day's supply of protein, carbohydrates, fat, minerals and vitamins. The powder is mixed with a quart of water and the resulting four 225-calorie glasses "may be taken one for each meal and one at bedtime." Following this routine, 100 Mead Johnson patients lost "over half a pound a day" and "losses as high as 18 pounds in twelve days were recorded."

Financial Fare. The commercial success of Metrecal has been enough to make any druggist's blood pressure soar. Although Mead Johnson refuses to break down sales, outsiders estimate Metrecal volume is running at a $25-to-30,000,000 annual rate which all by itself would be equal to about half of last year's mostly pre-Metrecal total sales. In any case in the first six months of this year Mead Johnson volume soared 47% to $44,300,000 while net income nearly doubled to $5,100,000 or $2.78 a share from $1.58. For the full year Wall Streeters look for profits in the area of $6 a share (nearly half attributed to Metrecal) compared to $3.02 in 1959.

To handle its diet business Mead Johnson in April set up a separate Metrecal division. Manager C Joseph Genster relates: "There are more & more imitations of Metrecal on the market but we're doing fully as well as anticipated * * * Our profits are satisfactory."

But with the introduction of dozens of comparable products which sell chiefly in the 75¢-to-$1.09 range for a one-day supply, Mead Johnson profits might add fewer calories in the future. To meet competition the company last month cut its Metrecal price nearly 20% and "while we have no more cuts in mind now," Joe Genster "can't say we never will. Pricing is based on profitability and is also dictated by the market situation."

One New York druggist paid tribute to Mead's pricing policy: "Too many companies which introduce a hot product obstinately try to maintain their price when com-

Rexall mass produces mass-removers

petition gets active. I think their move was wise. When Metrecal sold at $1.59 many customers were willing to take our private brand for little more than half the price. Now that Metrecal's down to $1.29, most of them would rather buy the 'original' than another brand for 79 or 89¢. Besides, the price isn't so much when you figure it's your only food expenditure for the whole day."

Metrecal manager Genster staunchly believes Mead Johnson has the firmest position in the diet field, partly because of its early start (no competition until six months ago), partly because of the company's experience with Pablum (almost a generic term), Poly-Vi-Sol and other vitamin and food products. "We've made nutritional specialties for 50 years and Metrecal was a natural outgrowth of this business. Our product has now been in clinical evaluation for 20 months, something none of our competitors can claim."

Butterscotch, chocolate and plain Metrecal were introduced through medical advertising channels in September 1959. Consumer promotion began this June. While the AMA has neither formally approved nor disapproved of Metrecal or any of its followers, "medical journals have consistently accepted our advertising." Presently Metrecal is sold only through drug wholesalers but Mead Johnson with its wide distribution set-up for Pablum products could easily vend through groceries and supermarkets.

Life Span. As for the Metrecal future Joe Genster confesses: "I wish I had the answer. There have been liquid diets before but Metrecal, a nutritionally complete diet, has brought a whole new concept to the field."

On the other scale, director Norman Joliffe of New York City's Bureau of Nutrition believes the diet foods "will last a good season or two. They all contain 900 calories and while any dope would reduce on that, very few can continue the diet for more than three days." Manufacturers reply the diet foods are flexible since just one glass of the stuff can be substituted for one meal a day (the recommended procedure once you have lost enough poundage).

Dr Joliffe remembers the demise of the Rockefeller Diet, formulated by the Rockefeller Institute, which was in vogue five years ago. "It

consisted of vegetable oil and evaporated milk mixed with corn syrup or dextrose. Multiple vitamin pills and iron were to be taken at the same time."

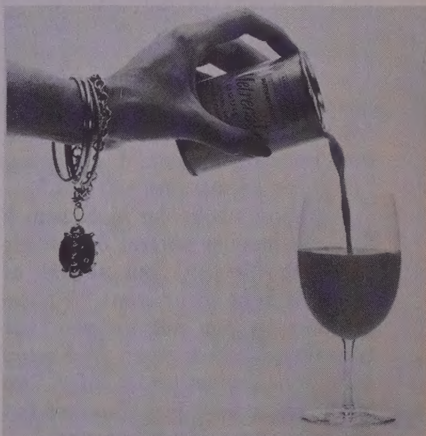
Metrecal and its cousins resemble this home-made reducing aid. Remarks Dr Joliffe: "They are all similar in composition." Basically they are composed of non-fat and some whole-milk solids, small amounts of vegetable oil such as coconut, soya flour, sugar, starch and flavoring. The soluble powder is then fortified with a day's supply of vitamins and minerals.

But where the Rockefeller regimen required the dieter to assemble the ingredients and keep track of their use, the new convenience-diets require simply a can, a stirrer and a full day's supply of self-control.

Diet Deluge . . . Mead Johnson claims to have "certain techniques in processing" but one producer notes "you can practically mix these things in your own basement." With little capital investment needed, small manufacturers are rapidly entering the estimated $100,000,000 market. Among them are Leonet Corp of New York with Reducal, Success Chemical Company in New Jersey with Trim'N Slim, Sulray of Tuckahoe, NY with Caltrol. Sterling Chemical Corp on Manhattan's Upper East Side puts out Diet-Cal "900" while Signet Corp of Evanston, Ill markets Procal.

Some makers count on new twists. High-priced ($1.59) Sell's Low Calorie Diet made by Sell's Specialties Inc of Manhattan has "no plain starch or soya flour. We use natural foods such as wheat germ. Our product is highly digestible and avoids constipation."

Three months ago Weldon Foods Inc of New York introduced plain, chocolate as well as coffee-flavored Albacal. Vice president Victor Najda claims: "Ours is the only instant diet food. The others all have to be mixed with an egg beater or blender" (Metrecal recommends a beater but less ambitious users just stir). Privately owned Weldon supplies its



Metrecal makes high-fashion pitch

brand to Grand Union, Gristede Brothers, Hill's Super Markets, Associated Food Stores as well as W T Grant.

Late in September Jewel Tea announced new subsidiary Park Corp will put out Diet-Cal. This will be sold direct to retailers, wholesalers and also in the company's 250 supermarkets. It will retail for $1.09.

Other chains market their own private label versions of the weight-slicing powder. United Whelan with

120 drug stores has Cal-A-Day (98¢) and president Leo Bertisch boasts "50% more weight loss per day with our product. Cal-A-Day was developed by our scientists and is made to our specifications by a private manufacturer." He confides: "We are selling at a rate of 100,000,000 jars a year and volume continues to ascend. It is a very profitable item."

Rexall Drug & Chemical is starting its annual "1¢ Sale" next Monday and is now stocking its 10,000 franchised stores with Rexall-made Low Calorie Diet Aid. During the special it will sell two for $1.50. Afterwards, says Rexall Drug division manager Melvin J Erickson, "as prices adjust ours will too."

Top drug wholesaler McKesson & Robbins handles several diet foods including Metrecal but so far at least has none of its own: "We are working on one but no plan has crystallized." If & when McKesson & Robbins decides on an entry, "we might use a food manufacturer but we could also make it ourselves."

. . . Puts on Weight. The discount, department and mail order stores are vigorously flexing their reducing muscles. For five months Big Board-listed discounter E J Korvette has sold its privately manufactured Kor-Val Metered Calories for 99¢, less on sales and promotions. Privately owned Master's vends 89¢ Master-Cal. Gimbel Bros has a 99¢ Food Concentrate which undersells R H Macy by a dime. Gimbel's refuses to divulge its manufacturer, Macy's says "we make our own."

Sears Roebuck also hedges on who supplies its Bal-Cal (according to some rumors, Jewel Tea). Bal-Cal lists in the Sears catalog at three cans for $2.64 or 88¢ for a one-day supply (plus shipping charges).

While most Metrecal competition to date has come from private brand marketers, some large food and drug concerns have begun to enter the market. Two months ago Ovaltine Company (subsidiary of privately held Wander Company) brought out Minvitine in a jar which retails for $1.29. Ovaltine Food Products division advertising boss Jacques A Gossweiler offers a tasty breakdown: "Our chocolate and coffee flavors represent 70% of sales and butterscotch the remainder." He also has a prediction about the many cooks now getting into the powder-diet kitchen: "Two or three of the diet food companies will survive and they will be the ones with reputable names."

Early this month Quaker Oats Company of Chicago introduced

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banana-flavored Quaker Quota (see picture) on a regional basis. Public relations director Bayne Freeland reports: "It will be sold in the cereal section of food stores. We won't go national right off the bat. We'll watch it in the Chicago and Minneapolis districts for a while."

The Glen Brooke Labs of Sterling Drug (a Big Board company not to be confused with small private brander Sterling Chemical) is market testing Calorid. Sterling now uses a private manufacturer but if Calorid goes national, the company will probably produce it itself. Pfizer while "not planning a product right away will continue to keep an eye on the market." And since diet foods are all based on non-fat milk powder the big dairies (National Dairy, Borden's and Foremost) are well equipped for production. So far all they offer is "no comment." Leading private brander A & P (including White House powdered milk) has "no present plans for a diet food."

Minus the Mix. But both at home and abroad Mead Johnson has a definite lead on its competitors. Joe Genster relates: "We have an extensive international operation and already distribute Metrecal in several countries. It is doing very well." The $47,000,000-assets company was also the first and so far only concern to bring out a reducing food in liquid form. Made available in the middle of last month liquid Metrecal is more expensive than its counterpart, sells for 40¢ for an eight-ounce, one meal can which is ready to drink without mixing. Joe Genster says "it is doing very well but it hasn't been out long enough to make a real prediction."

Rexall is also working on a liquid diet food but most manufacturers prefer to wait & watch. "At any rate," states Rexall's Melvin Erickson "we are sure one form or another is here to stay."

And whatever the long-term outlook, the short term has excited many stock market followers. Quaker Oats, aided by a good report for the June 1960 year as well as news of Quota, hit an alltime high of 61 on the Big Board last month. But the most spectacular performer has been Mead Johnson. On the Amex this year the stock has raced from around 80 to 133 in a couple of months. During the recent sell-off the shares shed some 16 points but they still sell at a lofty 20 times expected earnings.

GREEN FOR AMETHYST

Emily Dickinson, the Nineteenth Century New England recluse, wrote a poem about holding a jewel in her fingers, falling asleep, and waking to find it gone, leaving only "an amethyst remembrance." She was unconcerned about the value of her loss in terms of money and cared only about its value as the stuff of poetry.

Most people can't afford to be so casual about their valuables. So they're likely to take great care to keep these valuables where no burglar can steal them and where they can't simply disappear, as Emily Dickinson's jewel did. But too often they forget to provide protection for that most valuable valuable of all, money, against the subtlest thief of all, inflation, which robs money of its purchasing power.

If you have surplus cash tucked away in a strongbox somewhere, safe from burglary but not from loss of buying power, why not plant it where it has a chance to grow? Why not invest in good common stocks and give it the opportunity of holding its own against inflation? Remember that money is the seed of money, but it must be planted in favorable soil and climate if it is to sprout and blossom and bear fruit.

Emily Dickinson may have been willing to accept "an amethyst remembrance," but why should you settle for just the memory of your money's purchasing power? A green remembrance may be better than nothing at all, but better still is a sufficiency of the green stuff itself. Agreed?

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